



# County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration  
500 West Temple Street, Room 713, Los Angeles, California 90012  
(213) 974-1101  
<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA  
Chief Executive Officer

## ADOPTED

BOARD OF SUPERVISORS  
COUNTY OF LOS ANGELES

December 18, 2012

13 December 18, 2012

*Sachi A. Hamai*  
SACHI A. HAMAI  
EXECUTIVE OFFICER

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, CA 90012

Dear Supervisors:

### MEDICARE PART B PREMIUM REIMBURSEMENT PROGRAM FOR 2013 (ALL DISTRICTS - 3 VOTES)

#### SUBJECT

Recommendation to approve renewal of the Medicare Part B Reimbursement Program which reimburses Medicare Part B premium costs up to the standard rate for retirees enrolled in a Los Angeles County Employees Retirement Association (LACERA)-administered Medicare Plan in 2013.

#### IT IS RECOMMENDED THAT THE BOARD:

1. Renew the Medicare Part B Premium Reimbursement Program for the 2013 calendar year for retirees enrolled in a LACERA-administered Medicare Risk HMO or Medicare Supplement Plan.
2. Instruct the Chief Executive Officer to report back to the Board prior to January 1, 2014 with recommendations regarding the Medicare Part B reimbursement policy for the 2014 calendar year.
3. Reaffirm the Board's right to change or terminate the Medicare Part B Premium Reimbursement Program at any time if it ceases to be cost effective.

Board of Supervisors  
GLORIA MOLINA  
First District

MARK RIDLEY-THOMAS  
Second District

ZEV YAROSLAVSKY  
Third District

DON KNABE  
Fourth District

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### **PURPOSE/JUSTIFICATION OF THE RECOMMENDED ACTION**

Since 1992, the County has sponsored retiree health insurance plans designed to encourage retirees to fully participate in the federal Medicare program. As part of this effort, the County established the Medicare Part B Premium Reimbursement Program to reimburse qualified retirees for the cost of their Medicare Part B premiums. This reimbursement amount is limited to the standard premium rate which is adjusted annually. Medicare Part B covers certain doctors' services, outpatient care, medical supplies, and preventive services for retirees who are at least 65 years old. To receive the Medicare Part B reimbursement, retirees must meet all the following eligibility criteria:

- Current enrollment in both Medicare Parts A and B;
- Current enrollment in one of the LACERA-administered Risk HMOs (Kaiser Senior Advantage, Senior Care Action Network (SCAN), or UnitedHealthcare) or a Medicare Supplement Plan (Anthem Blue Cross Plan III);
- Currently paying for Medicare Part B premium themselves; AND
- Not being reimbursed for the Medicare Part B premium by another agency.

By prior Board direction, reimbursing retirees for the cost of Medicare Part B requires an annual determination that the program remains cost effective. The purpose of the recommended action is to affirm that such determination has been made and to obtain the Board's authorization to continue the program through calendar year 2013.

Reimbursing retirees for participation in Medicare Part B is necessary in the absence of a policy requiring participation. Mandatory participation is one among several topics we are discussing with LACERA and labor unions as a means of reducing future retiree health care costs.

### **Program Overview**

The County pays a subsidy toward the cost of retiree health insurance only if the retiree has at least 10 years of service. The amount of the subsidy for eligible retirees is based upon the retiree's length of active County service. A retiree with the minimum ten years of service receives a subsidy equal to 40 percent of premium costs or 40 percent of the benchmark plan rate, whichever is less. Beyond the 10 years, the subsidy increases four percent for each additional year of service. Therefore, a retiree with 25 years of active County service receives a subsidy equal to 100 percent of the benchmark premium costs.

The benchmark rate is equal to the rates negotiated for the Anthem Blue Cross I and Blue Cross II plans (rates for these plans are the same). Under no circumstances may the subsidy exceed these benchmark premium rates. Within these limitations, the subsidy is applied toward the cost of coverage for the retiree and any eligible dependents. If the premium of the health care plan selected by the retiree is greater than this benchmark rate, the retiree must pay the difference even if he has 25 years of service credit.

As noted in the previous section, LACERA currently administers three Medicare Risk HMOs and one Medicare Supplement Plan. There are an estimated 26,200 retirees and their dependents enrolled in these plans.

Under a Medicare Risk HMO, participants assign over all rights to Medicare Parts A and B to the HMO and agree to receive all medical care from the HMO. Furthermore, participants agree to waive any right to use Medicare benefits outside the HMO. In exchange, Medicare agrees to pay the HMO a monthly "capitation" fee on behalf of the participant which defrays much of the cost of the HMO coverage. The reduction in cost is passed on to the retirees and the County in the form of lower premiums and lower County subsidies.

A Medicare Supplement Plan is an indemnity plan that complements Medicare benefits. Medicare becomes the primary payer, meaning Medicare pays first on each claim. A Medicare Supplement Plan picks up where Medicare leaves off within the limitations set forth by Medicare.

#### 2013 Premium Rates for Medicare Part B

The Medicare Risk HMOs and the Medicare Supplement Plan require the eligible retirees to be enrolled in Medicare Parts A and B. Part A covers hospitalization costs and Part B covers physician services and other ancillary items such as laboratory testing and durable medical equipment. Part A coverage is earned by working the required Social Security quarters and Part B must be purchased by eligible participants.

As part of the Medicare Modernization Act effective January 2007, Medicare Part B premiums are income or means tested. Means testing imposes higher Part B premiums on a graduated basis beginning with retirement incomes over \$85,000 per annum. Therefore, these individuals must pay the higher Part B standard premium rate plus the means tested amount taking effect on January 1, 2013.

For 2012, the standard premium rate (i.e., the minimum that all participants pay) is \$99.90 per month. For 2013, the premium rates for each income bracket will be higher and the standard premium rate will increase to \$104.90 per month (five percent increase). All Medicare Part B participants will experience rate increases ranging from \$5 to \$16 per month depending upon their income bracket.

### MEDICARE PART B PREMIUM COSTS FOR 2013

Yearly Income for 2011		2013 Rates	2012 Rates
Filing Individually	Filing Jointly		
\$85,000 or less	\$170,000 or less	\$104.90 (standard rate)	\$99.90 (standard rate)
Above \$85,000 up to \$107,000	Above \$170,000 to \$214,000	\$146.90	\$139.90
Above \$107,000 up to \$160,000	Above \$214,000 to \$320,000	\$209.80	\$199.80
Above \$160,000 up to \$214,000	Above \$320,000 to \$428,000	\$272.70	\$259.70
Above \$214,000	Above \$428,000	\$335.70	\$319.70

**Note:** Premium rates are set based upon annual income from the two years prior to the plan year.

Under the County's current Part B reimbursement policy, only the standard Part B premiums are reimbursed. We are recommending no change in that policy. Therefore, for the 2013 plan year, only the standard premium amount of the Part B monthly premium (\$104.90) will be covered by the County.

#### Annual Re-Evaluation of Medicare Part B Premium Costs

The decision to pick-up Medicare Part B premiums is based upon an annual evaluation that considers, among other things, changes to the Part B program and premium costs. Since the inception of the Part B reimbursement program in 1992, the County has reimbursed the full cost of the standard Part B premium for any retiree who has enrolled in a Medicare Risk HMO and the Medicare Supplement Plan. The rationale for establishing and continuing this program remains the same. Specifically, the cost of the Part B coverage is more than offset by the reduction in premiums for the Medicare Part B program.

The 1992 Board action originally provided for reimbursement of the Part B premium through 1995. This included any late enrollment penalties imposed by Medicare for retirees who enrolled prior to May 1993. The 1992 Board action also provided for an annual cost justification from 1996 forward. Under the original authorization, the program is subject to change or cancellation at the discretion of the Board. It may be continued only "if cost savings are realized." That requirement has been reaffirmed in all subsequent Board authorizations of this program. As such, it should be considered reaffirmed in these recommendations as well.

Recommended Pick-Up of January 1, 2013 Part B Premium

The additional County cost of picking up the basic 2013 Medicare Part B premium would cost an additional \$3.3 million per year for a total of \$40.8 million per annum (all funds). The key question is whether the potential savings will exceed the potential costs. In other words, is it prudent to spend \$40.8 million to retain the current level of participation in the Medicare Risk HMOs or the Medicare Supplement Plan and thereby avoid more than \$40.8 million in higher subsidy costs that could occur through a possible migration out of these plans? We believe it is.

Eliminating the Part B reimbursement would likely cause a majority of the participants in the Medicare Part B Reimbursement Program to change their current coverage in favor of higher cost LACERA plans. Of the estimated 26,200 eligible participants currently in the program, approximately 13,500 retirees are receiving a 100 percent County subsidy because they have 25 or more years of County service. These individuals could enroll in any LACERA health plan and have the full premium paid by the County up to the aforementioned benchmark plan limits (Anthem Blue Cross I and II rates). There would be no obligation for these persons to purchase Part B coverage.

Although there is no way to be certain what the costs of the retiree health insurance program would be in the absence of this incentive, Buck Consultants, an independent actuarial consulting firm, has reviewed this program and submitted its analysis (Attachment A). According to their report, the likely impact of either eliminating the Part B Reimbursement Program or of freezing the reimbursement at the 2012 levels would be an increase in overall County costs ranging from approximately \$16.2 million to approximately \$48 million per annum, respectively. This would be in addition to the projected annual expenditures of \$40.8 million estimated for 2013.

LACERA independently contracted with the firm of Aon Hewitt to review this issue as well. In its report, Aon Hewitt concurred that overall County costs for retiree health care would be dramatically higher in the absence of the Part B reimbursement program (Attachment B).

The populations in Kaiser Senior Advantage and Anthem Blue Cross III represent over 90 percent of the total Medicare Part B reimbursement program participants. Accordingly, Attachments C through H provide a comparison of rates and benefit coverage between these plans and the alternative non-Medicare related Kaiser Excess I and Anthem Blue Cross I and II Plans.

Implementation of Strategic Plan Goals

The recommended action supports the Countywide Strategic Plan Goal of Operational Effectiveness, specifically fiscal sustainability and responsibility. The County's program to subsidize the standard Medicare Part B premium provides an incentive for retirees to participate in less costly LACERA-administered Medicare plans. As such, it reduces the overall retiree health care plan costs for the County.

**FISCAL IMPACT/FINANCING**

The recommended action would result in additional Medicare Part B reimbursement costs of approximately \$3.3 million per year (all funds). However, the costs of not approving the recommendation could be much greater.

**FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

The recommended continuance of the Part B reimbursement would take effect on January 1, 2013 and be initially reflected in LACERA retiree warrants issued December 31, 2012. The amount reimbursed will include any late enrollment penalties paid by retirees who enrolled during the special open enrollment period prior to May 1993.

The Chief Executive Officer will report back prior to January 1, 2014 with additional recommendations relating to Part B reimbursement policy for the 2014 calendar year.

Respectfully submitted,



WILLIAM T FUJIOKA  
Chief Executive Officer

WTF:BC:JA  
MTK:VMH:mst

Attachments (8)

c: Auditor-Controller  
County Counsel  
Executive Office, Board of Supervisors  
Los Angeles County Employees Retirement Association

**buckconsultants**

A Xerox Company

December 4, 2012

Ms. Valerie Hara  
County of Los Angeles  
Chief Administrative Office  
784 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, California 90012

**Re: Expected Impact of Modifying the 2013 Part B Reimbursement for Retirees**

Dear Val:

This letter presents Buck Consultants LLC's (Buck's) analysis of the expected cost impact of modifying the current County practice of reimbursing retirees and their dependents for the Medicare Part B premium in 2013. This encourages retirees to enroll in the Blue Cross III Medicare Supplement Plan or in one of the Medicare plans offered by the HMO plans.

Based on our analysis, we believe that it is in the County's interest to continue the current program to reimburse retirees for their basic Part B premium but not to cover the additional means tested Part B premium that became effective January 2007. This means that the County would not pay for the additional means tested amount that Medicare will charge to high income participants. Deciding not to pay the Part B premium would cost the County between \$16.2 and \$48.1 million for 2013.

Under our analysis, we developed the expected cost impact to the County under two scenarios. In the first, the County elects to freeze the Medicare Part B reimbursement at the current level, which is \$99.90 for all Medicare eligible retirees in 2012. In the second, the County elects to suspend the reimbursement of the Part B premium in total. In both scenarios, we have assumed that the County will not cover the additional means tested Part B premium that became effective January 2007.

In our analysis, we have assumed that LACERA will still elect to offer the Blue Cross Plan III and the various Medicare Advantage plans regardless of whether or not the County elects to continue to pay the Part B premiums. This decision is to the financial

Ms. Valerie Hara  
December 4, 2012  
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advantage of the retirees, particularly to those with less than 25 years of service at retirement.

For example, a retiree who is Medicare Eligible and has 15 years of service at retirement pays a monthly premium of \$147.83 under the Blue Cross Plan III, but would pay \$367.27 under the Blue Cross Plan II, or an increase of \$219.44 per month. Even if this individual had to pay the 2013 Part B premium of \$104.90 he would still pay \$114.54 less per month by remaining in the Blue Cross Plan III, or a savings of \$1,374.48 per year as compared to dropping Part B coverage and electing the Blue Cross Plan II.

Of the approximately 26,200 participants in a Medicare Advantage or the Blue Cross III plan, 12,742 have less than 25 years of service and as such are paying some of the cost of the medical plan they elect. Keeping these plans in place for these members makes financial sense for the County and the retired members.

In developing our analysis, we focused strictly on these 26,200 participants. In the first scenario, we assumed that the County freezes the Medicare Part B reimbursement at the 2012 premium of \$99.90 per month. Based on the current average monthly reimbursement of \$129.09 per retired participant, the expected reimbursement for 2013 would be \$135.53 if the County continued its current practice. Freezing the contributions at the current levels means that retirees would pay \$6.43 per month in Part B premiums.

In determining whether a retiree would elect to pay the additional Part B premium and remain in the current Blue Cross III or Medicare Advantage plan, we compared the difference in premium paid by the retiree for their current plan plus the additional Part B premium to the medical premium payment for a non-Medicare Plan. For this analysis, individuals in the Blue Cross III and SCAN HMO plans were compared to the Blue Cross II plan and those in CIGNA, Kaiser, and PacificCare were compared to the available non-Medicare option for the particular HMO.

We then developed the cost impact of three election alternatives:

- **Maximum cost impact** – if the retiree cost of the current medical plan plus the additional Part B premium is less than the cost of the applicable non-Medicare plan, the retiree remains in their current plan. If the retiree cost of the current medical plan plus the additional Part B premium is greater than or equal to the cost of the applicable non-Medicare plan, the retiree moves to the non-Medicare plan.



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- **Minimum cost impact** – the additional per month average Part B payment does not cause any movement in plans; retirees remain in their current plans.
- **Expected cost impact** – this represents our expected outcome. For those where the retiree cost of the current medical plan plus the additional Part B premium is less than the cost of the applicable non-Medicare plan, the retiree remains in their current plan. If the retiree cost of the current medical plan plus the additional Part B premium is greater than or equal to the cost of the applicable non-Medicare plan, then 50% of the retirees move to the non-Medicare plan and the other 50% remain in their current plans.

In the first scenario, the cost impact to the County ranges from an additional \$98.1 million under the maximum cost impact scenario, a savings of \$2.0 million under the minimal cost impact and a cost of \$48.1 million under the expected cost scenario.

In the second scenario, we assumed that the County elects to suspend the reimbursement of the Part B premium in total. This means that on average, the retirees would have to pay an additional \$135.53 per month in Part B premiums and penalties to remain in their current plans.

In determining whether a retiree would elect to pay the additional Part B premium and remain in the current Blue Cross III or Medicare Advantage plan, we compared the difference in premium paid by the retiree for their current plan plus the additional Part B premium to the medical premium payment for a non-Medicare Plan. Individuals in the Blue Cross III and SCAN HMO plans were compared to the Blue Cross II plan and those in CIGNA, Kaiser, and PacificCare were compared to the available non-Medicare option for the particular HMO. We then developed the cost impact of the same three election alternatives as in the first scenario.

In the second scenario, the cost impact to the County ranges from an additional \$75.1 million under the maximum cost impact scenario, a savings of \$42.7 million under the minimal cost impact and a cost of \$16.2 million under the expected cost scenario. The cost is less under this scenario because the County is no longer paying the Part B premium amounts. The attached exhibit summarizes the results of our analysis for both scenarios.

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December 4, 2012  
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After your review, if you have any questions or comments, please feel free to call me at (619-725-1769).

Sincerely,



Kristi Olivas, FSA, MAAA, FCA  
Director & Consulting Actuary

Exhibit I

County of Los Angeles  
Cost Impact of Modifying the Part B Reimbursement Policy  
Medicare Eligible Participants Only  
Calendar Year 2013

	<u>Current</u>	<u>Scenario 1 - Freeze at 2012 Levels</u>			<u>Scenario 2 - No Part B Reimbursement</u>		
		<u>Maximum</u>	<u>Minimum</u>	<u>Expected</u>	<u>Maximum</u>	<u>Minimum</u>	<u>Expected</u>
Blue Cross	\$49,618,223	\$80,689,085	\$48,820,394	\$64,754,740	\$72,572,514	\$32,810,168	\$52,691,341
CIGNA	\$380,610	\$377,522	\$377,522	\$377,522	\$315,557	\$315,557	\$315,557
Kaiser	\$50,211,769	\$109,397,368	\$49,161,120	\$79,279,244	\$96,336,548	\$28,077,503	\$62,207,025
SCAN	\$1,483,276	\$2,474,560	\$1,451,316	\$1,962,938	\$2,095,726	\$809,978	\$1,452,852
PacificCare	\$7,671,019	\$14,558,550	\$7,528,668	\$11,043,609	\$13,165,138	\$4,672,078	\$8,918,608
Total	\$109,364,896	\$207,497,084	\$107,339,020	\$157,418,052	\$184,485,483	\$66,685,282	\$125,585,383
Cost/(Savings)		\$98,132,187	(\$2,025,876)	\$48,053,156	\$75,120,587	(\$42,679,614)	\$16,220,486

buckconsultants



November 20, 2012

Cassandra Smith  
Director Health Care Benefits Program  
LACERA  
300 N. Lake Avenue, Suite 300  
Pasadena, CA 91101

**Subject: Medicare Advantage Savings Projections**

Dear Cassandra:

Attached are the Medicare Advantage savings projections to evaluate the 2012/2013 cost effectiveness of the County of Los Angeles (the County) continuing to offer Medicare Advantage plans and subsidize Medicare Part B premiums for LACERA retirees and dependents enrolling in those plans.

As in the past, because LACERA has a number of health plan options, we have included four "migration scenarios" for each analysis. Each has a different set of assumptions of where the retirees might enroll if the County did not offer Medicare Advantage plans and subsidize Medicare Part B premiums for enrollees who participate in those plans.

Under all analyses and scenarios, it is in the County's financial best interest to continue offering Medicare Advantage plans and subsidizing Part B premiums for enrollees in those plans.

**Background of the Medicare Part B Premium**

Current retirees who have Part B withheld from their Social Security pension checks, as well as new entrants to Medicare in 2012 and those who do not have their Part B withheld are all paying a Medicare Part B premium of \$99.90 monthly. The Medicare Part B premium beginning on January 1, 2013 is \$104.90.

Currently the County covers Part B premiums for retiree and dependent participants in the Medicare Advantage HMOs and Anthem Blue Cross Plan III in order to encourage enrollment in these more cost-effective plans. There are approximately 27,065 retirees in such plans. According to LACERA's Medicare Part B Reimbursement Report provided to Aon Hewitt for the pay period 9/30/2012, the average amount paid for retirees and dependents is \$129.76 per retiree.



Also, the retiree and dependents premiums include any late enrollment penalties paid by retirees who enrolled prior to May 1, 1993, when the reimbursement plan was first introduced. The liability obligations has reduced year over year due to loss of membership.

#### **Income-Related Medicare Part B Premium**

As part of the Medicare Modernization Act, effective January 2007, Medicare Part B premiums are income tested. Currently, the Medicare Part B premium is set at 50% of the monthly actuarial rate (MAR). The MAR represents 50% of the cost for Part B expenditures. Effective January 2007, individuals over a certain income level are paying more than 25% targeted premium. Our model assumes that the County will not reimburse the means-tested amounts of the Part B premiums. In other words, it assumes that the County will pay only for the standard Medicare Part B premium amount and the late penalties for those who enrolled when the reimbursement plan was first introduced.

#### **Projection Methodology**

In this projection, the savings are determined by comparing LACERA's current total plan cost (medical, dental, and part B premium/penalties) with the projected total cost if there were no Medicare Risk plan offerings. The projected costs are based on the migration of Medicare/Senior Advantage participants into non-Medicare Advantage plans and the discontinuance of plan B reimbursement by the County in some scenarios. The County's contributions are based upon years of service. For 2012/2013 policy period we estimate them to be 91.69% of the total cost. This includes the County share of the total premium, Medicare Part B Reimbursement, plus penalties. This methodology deviates from the prior calculations where Medicare Part B reimbursement and penalties were not included in the County share, thus resulting in a slightly understated percentage of County contributions for calculation purposes. (Note that this small change in methodology would not have affected the outcome of prior analyses.) This contribution factor varies slightly by scenario, depending on the plan and Medicare Part B subsidy offering. Following is a summary of each scenario along with the financial results based on our calculation.

#### **Projection A – Migration Assumptions**

This projection assumes that all Medicare Advantage HMO participants move from their current Medicare Advantage HMO plan into the corresponding HMO's non-Medicare Advantage plan; that the Kaiser Senior Advantage participants migrate to the Kaiser Excess plan; and that the SCAN and Anthem Plan III participants migrate to plan II. In addition, Projection A assumes that the County will stop paying the part B premium for all members. Under this scenario LACERA's premium would increase approximately by \$187,333,324 compared with continuation of Medicare Part B reimbursement by the County, and the retirees remaining where they are.



### **Projection B – Migration Assumptions**

This projection assumes that all Medicare Advantage HMO participants migrate from their current Medicare Advantage HMO plans to Anthem Plan II; plan III enrollment remains unchanged and that the County will continue to pay part B premium for Plan III participants. Under this scenario, LACERA's premium would increase by approximately \$144,927,822, compared with continuation of Medicare Part B reimbursement by the County, and the retirees remaining where they are.

### **Projection C – Migration Assumptions**

This projection assumes that the Medicare Advantage HMO participant migration is split 50/50 between Anthem Plans II and III, Plan III enrollment remains unchanged, and the County will continue to pay Part B premium for Anthem Plan III participants. Under this scenario, LACERA's premium would increase by approximately \$73,275,644, compared with continuation of Medicare Part B reimbursement by the County, and the retirees remaining where they are.

### **Projection D – Migration Assumptions**

This projection assumes that the Medicare Advantage HMO and Anthem Plan III participants migrate to Anthem Plan II, and the County will stop paying Part B premium for all members. Under this scenario, LACERA's premium would increase by approximately \$218,372,945, compared with continuation of Medicare Part B reimbursement by the County, and the retirees remaining where they are.

### **Summary of Findings**

Based upon the analysis described above, our conclusion is that the current program, in which the County is subsidizing Medicare part B premiums for retirees and dependents enrolled in the Medicare Advantage plans and Anthem Plan III is financially beneficial to the County, and represents significant savings compared with the four scenarios in this analysis.



Please refer to the attachment for back-up calculations and documentation.

Sincerely,

A handwritten signature in black ink, appearing to read "Kirby".

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Kirby Bosley  
West Region H&B Practice Leader

A handwritten signature in black ink, appearing to read "Helen Batsalkin".

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Helen Batsalkin  
AVP Consulting

**LACERA  
MEDICARE ADVANTAGE SAVINGS PROJECTIONS  
Exhibit A**

July 1, 2012 through June 30, 2013

<b>Current Plan Cost (w/Part B Subsidy)</b>								
County Share	\$ 451,564,369	91.7%	\$ 451,564,369	91.7%	\$ 451,564,369	91.7%	\$ 451,564,369	91.7%
Member Share	\$ 40,909,603	8.3%	\$ 40,909,603	8.31%	\$ 40,909,603	8.3%	\$ 40,909,603	8.3%
<b>Total</b>	<b>\$ 492,473,972</b>	<b>100%</b>	<b>\$ 492,473,972</b>	<b>100%</b>	<b>\$ 492,473,972</b>	<b>100%</b>	<b>\$ 492,473,972</b>	<b>100%</b>
<b>Assumed Plan Cost (w/Migration and Benefit Options)</b>	<b>Migration A</b>	<b>Percent</b>	<b>Migration B</b>	<b>Percent</b>	<b>Migration C</b>	<b>Percent</b>	<b>Migration D</b>	<b>Percent</b>
County Share	\$ 617,738,713	90.87%	\$ 580,624,289	91.09%	\$ 515,514,184	91.12%	\$ 645,944,317	90.87%
Member Share	\$ 62,068,584	9.13%	\$ 56,777,505	8.91%	\$ 50,235,431	8.88%	\$ 64,902,600	9.13%
<b>Total</b>	<b>\$ 679,807,296</b>	<b>100%</b>	<b>\$ 637,401,794</b>	<b>100%</b>	<b>\$ 565,749,616</b>	<b>100%</b>	<b>\$ 710,846,918</b>	<b>100%</b>
<b>Annual Cost Differential</b>								
County Share	\$ 166,174,344		\$ 129,059,920		\$ 63,949,816		\$ 194,379,948	
Member Share	\$ 21,158,980		\$ 15,867,901		\$ 9,325,828		\$ 23,992,997	
<b>Total</b>	<b>\$ 187,333,324</b>		<b>\$ 144,927,822</b>		<b>\$ 73,275,644</b>		<b>\$ 218,372,945</b>	
<b>Percentage Difference</b>								
County Share	36.80%		28.58%		14.16%		43.05%	
Member Share	51.72%		38.79%		22.80%		58.65%	
<b>Total</b>	<b>38.04%</b>		<b>29.43%</b>		<b>14.88%</b>		<b>44.34%</b>	

**Notes:**

**Medicare Part B Premiums:**

Assumes each current member's Part B reimbursement is \$104.90 for 2013

**Migration A:**

UHC & Cigna MA members move to UHC & Cigna non MA  
Kaiser Senior Advantage members move to the Kaiser Excess Plan  
Anthem Plan III and SCAN members move to Anthem Plan II  
County stops paying Medicare Part B premium for all members

**Migration B:**

UHC, Cigna, Kaiser, and SCAN Medicare Advantage members move to Anthem Plan II  
Anthem Plan III members stay in Anthem Plan III  
County continues to pay Medicare Part B premium for Plan III members

**Migration C:**

UHC, Cigna, Kaiser, and SCAN members move to Anthem Plans II and III (50% / 50%)  
Anthem Plan III members stay in Anthem plan III  
County continues to pay Medicare Part B premium for Anthem Plan III members

**Migration D:**

UHC, Cigna, Kaiser, SCAN, and Anthem Plan III members move to Anthem plan II  
County stops paying Medicare Part B premium for all members



**KAISER MEDICARE AND NON-MEDICARE HEALTH PLAN RATE COMPARISON  
(BASED ON JULY 1, 2012 TO JUNE 30, 2013 RATES)  
RETIREE ONLY**

MEDICARE RISK HMO		HMO								
KAISER SENIOR ADVANTAGE (Assigned both Parts A & B)		Kaiser Excess I (Assigned only Part A)								
MAXIMUM COUNTY SUBSIDY FOR ALL PLANS	2013 MEDICARE PART B SUBSIDY	ACTUAL COUNTY SUBSIDY	TOTAL COUNTY COST	RETIREE COST	TOTAL INSURANCE PREMIUM	MEDICARE PART B SUBSIDY	ACTUAL COUNTY SUBSIDY	TOTAL COUNTY COST	RETIREE COST	TOTAL INSURANCE PREMIUM
10 YOS (40%)	\$367.27	\$104.90	\$90.82	\$195.72	\$136.24	\$227.06	\$0.00	\$355.96	\$533.94	\$889.90
15 YOS (60%)	\$550.90	\$104.90	\$136.24	\$241.14	\$90.82	\$227.06	\$0.00	\$533.94	\$355.96	\$889.90
20 YOS (80%)	\$734.54	\$104.90	\$181.65	\$286.55	\$45.41	\$227.06	\$0.00	\$711.92	\$177.98	\$889.90
25 YOS (100%)	\$918.17	\$104.90	\$227.06	\$331.96	\$0.00	\$227.06	\$0.00	\$889.90	\$0.00	\$889.90

**KAISER TWO-PARTY MEDICARE HEALTH PLAN RATE COMPARISON  
(BASED ON JULY 1, 2012 TO JUNE 30, 2013 RATES)  
RETIREE AND SPOUSE \***

		KAISER SENIOR ADVANTAGE (Retiree & Spouse Assigned both Parts A & B)					Kaiser Excess I (Retiree & Spouse Assigned only Part A)				
	MAXIMUM COUNTY SUBSIDY FOR ALL PLANS	2013 MEDICARE PART B SUBSIDY	ACTUAL COUNTY SUBSIDY	TOTAL COUNTY COST	RETIREE COST	TOTAL INSURANCE PREMIUM	MEDICARE PART B SUBSIDY	ACTUAL COUNTY SUBSIDY	TOTAL COUNTY COST	RETIREE COST	TOTAL INSURANCE PREMIUM
10 YOS (40%)	\$662.84	\$209.80	\$180.45	\$390.25	\$270.67	\$451.12	\$0.00	\$662.84	\$662.84	\$1,113.96	\$1,776.80
15 YOS (60%)	\$994.25	\$209.80	\$270.67	\$480.47	\$180.45	\$451.12	\$0.00	\$994.25	\$994.25	\$782.55	\$1,776.80
20 YOS (80%)	\$1,325.67	\$209.80	\$360.90	\$570.70	\$90.22	\$451.12	\$0.00	\$1,325.67	\$1,325.67	\$451.13	\$1,776.80
25 YOS (100%)	\$1,657.09	\$209.80	\$451.12	\$660.92	\$0.00	\$451.12	\$0.00	\$1,657.09	\$1,657.09	\$119.71	\$1,776.80

\* Based on Anthem Blue Cross I and II subsidy cap applicable to family coverage. Indicated Kaiser costs apply to retiree and one or more dependents.

**ANTHEM BLUE CROSS MEDICARE AND NON-MEDICARE HEALTH PLAN RATE COMPARISON  
(BASED ON JULY 1, 2012 TO JUNE 30, 2013 RATES)  
RETIREE ONLY**

	INDEMNITY PLAN									
	MEDICARE SUPPLEMENT					ANTHEM BLUE CROSS I (MEDICARE NOT REQUIRED)				
	ANTHEM BLUE CROSS III (Assigned both Parts A & B)					ANTHEM BLUE CROSS II (MEDICARE NOT REQUIRED)				
	2013 MEDICARE PART B SUBSIDY	ACTUAL COUNTY SUBSIDY	TOTAL COUNTY COST	RETIREE COST	TOTAL INSURANCE PREMIUM	ACTUAL COUNTY SUBSIDY	TOTAL COUNTY COST	RETIREE COST	TOTAL INSURANCE PREMIUM	
	MAXIMUM COUNTY SUBSIDY FOR ALL PLANS									
10 YOS (40%)	\$104.90	\$147.83	\$252.73	\$221.75	\$369.58	\$367.27	\$367.27	\$550.90	\$918.17	\$918.17
15 YOS (60%)	\$104.90	\$221.75	\$326.65	\$147.83	\$369.58	\$550.90	\$550.90	\$367.27	\$918.17	\$918.17
20 YOS (80%)	\$104.90	\$295.66	\$400.56	\$73.92	\$369.58	\$734.54	\$734.54	\$183.63	\$918.17	\$918.17
25 YOS (100%)	\$104.90	\$369.58	\$474.48	\$0.00	\$369.58	\$918.17	\$918.17	\$0.00	\$918.17	\$918.17

**ANTHEM BLUE CROSS TWO-PARTY MEDICARE HEALTH PLAN RATE COMPARISON  
(BASED ON JULY 1, 2012 TO JUNE 30, 2013 RATES)  
RETIREE AND SPOUSE**

	ANTHEM BLUE CROSS III (Retiree & Spouse Assigned both Parts A & B)					ANTHEM BLUE CROSS I OR II (MEDICARE NOT REQUIRED)				
	2013 MEDICARE PART B SUBSIDY	ACTUAL COUNTY SUBSIDY	TOTAL COUNTY COST	RETIREE COST	TOTAL INSURANCE PREMIUM	MEDICARE PART B SUBSIDY	ACTUAL COUNTY SUBSIDY	TOTAL COUNTY COST	RETIREE COST	TOTAL INSURANCE PREMIUM
10 YOS (40%)	\$209.80	\$295.06	\$504.86	\$442.59	\$737.65	\$0.00	\$662.84	\$662.84	\$994.25	\$1,657.09
15 YOS (60%)	\$209.80	\$442.59	\$652.39	\$295.06	\$737.65	\$0.00	\$994.25	\$994.25	\$662.84	\$1,657.09
20 YOS (80%)	\$209.80	\$590.12	\$799.92	\$147.53	\$737.65	\$0.00	\$1,325.67	\$1,325.67	\$331.42	\$1,657.09
25 YOS (100%)	\$209.80	\$737.65	\$947.45	\$0.00	\$737.65	\$0.00	\$1,657.09	\$1,657.09	\$0.00	\$1,657.09
	<b>MAXIMUM COUNTY SUBSIDY FOR ALL PLANS</b>									
		\$662.84								
		\$994.25								
		\$1,325.67								
		\$1,657.09								

## KAISER MEDICARE AND NON-MEDICARE HEALTH PLAN BENEFITS COMPARISON

		MEDICARE RISK HMO	
		Kaiser Senior Advantage (Assigned both Parts A & B)	Kaiser Excess I (Assigned only Part A)
Expenses			
Calendar Year Deductibles	None		
Annual Maximum Out-of-Pocket Expenses	Maximum co-pay of \$1,500 (individual) and \$3,000 (family)		
Lifetime Maximum Benefits	Unlimited		
Hospital Benefits			
Room and Board	No charge		Inpatient – no charge; Outpatient - \$5 copay
Surgical Services	No charge		
Hospital Services and Supplies	No charge		
Emergency Benefits			
Inpatient	\$5 copay; waived if admitted	No charge	
Outpatient	\$5 copay; waived if admitted		
Ambulance	No charge for emergency		
Outpatient Benefits			
Doctor's Office Visit	\$5 copay		
Preadmission x-ray and lab tests	No charge		
Routine checkups	No charge*	\$5 copay	
Immunizations	No charge		
Outpatient Surgical services	\$5 copay per procedure		
Physical Therapy	\$5 copay		
Speech Therapy	\$5 copay		
Prescription Drugs	\$7 copay for up to 100-day supply, covers dental prescriptions		
Vision/Hearing Care Benefits			
Eye Exams	\$5 copay		
Lenses	\$150 allowance for eyewear purchased from plan optical sales offices every 24 months		Not covered
	\$150 allowance for eyewear purchased from plan optical sales offices every 24 months		
Frames	Not covered		
Hearing Exams	\$5 copay		
Hearing Aids	Not covered		
Durable Medical Equipment	Covered		Not covered

\*Formerly \$5 copay.

## BLUE CROSS MEDICARE AND NON-MEDICARE HEALTH PLAN BENEFITS COMPARISON

MEDICARE SUPPLEMENT		INDEMNITY PLAN	
Anthem Blue Cross III (Assigned both Parts A & B)		Anthem Blue Cross I (Medicare not required)	Anthem Blue Cross II (Medicare not required)
<b>Expenses</b>			
Calendar Year Deductibles	None	\$100 individual, \$100 family	\$500 individual; \$1,500 family
Annual Maximum Out-of-Pocket Expenses	None	N/A	\$2,500 including deductible
Lifetime Maximum Benefits	Unlimited	\$1,000,000	
<b>Hospital Benefits</b>			
Room and Board	Pays all Medicare inpatient deductibles for approved Medicare days	\$75/day; \$150/day special care unit	90% PPO hospital; 80% non-PPO hospital
Surgical Services	Pays all Medicare inpatient deductibles for approved Medicare days	According to schedule + 80% of balance	80%
Hospital Services and Supplies	Pays all Medicare inpatient deductibles for approved Medicare days	100%	90% PPO hospital; 80% non-PPO hospital
<b>Emergency Benefits</b>			
Inpatient	Pays all Medicare inpatient deductibles for approved Medicare days	\$75/day	90% PPO hospital; 80% non-PPO hospital
Outpatient	20% of Medicare-approved charges	\$150/day special care unit	80%
Ambulance	20% of Medicare-approved charges	100% at a hospital only	80%
Durable Medical Equipment		80% for transportation to first hospital where care is given	
		Covered	80% for covered, medically necessary medical equipment after deductible met

**BLUE CROSS MEDICARE AND NON-MEDICARE HEALTH PLAN**  
**BENEFITS COMPARISON**  
 (cont'd)

MEDICARE SUPPLEMENT		INDEMNITY PLAN	
Anthem Blue Cross III (Assigned both Parts A & B)		Anthem Blue Cross I (Medicare not required)	Anthem Blue Cross II (Medicare not required)
Outpatient Benefits			
Doctor's Office Visit Preadmission X-ray and Lab Tests Routine Checkups Immunizations	20% of Medicare approved charges	80%	
	20% of Medicare approved charges	100%	
	Pays only for dependent children under 17		\$25 copay; covered in-network only; maximum \$250
	Covers only dependent children under 17		Covers only dependent children under 17
Outpatient Surgical services Physical Therapy Speech Therapy	20% of Medicare approved charges	100%	100% (80% hospital facility fees)
	20% of Medicare approved charges		80% in accordance with requirements
	20% of Medicare approved charges		80% in accordance with requirements
Prescription Drugs	80% in-network, 60% out-of-network; \$10 generic/\$30 brand/\$50 non-preferred brand/\$150 specialty copay for mail order for 90-day supply		
Vision/Hearing Care Benefits			
Eye Exams	Not covered	Covered after accident only	
Lenses	Covered only if first lens after eye surgery	Covered after accident and after eye surgery	
Frames	Not covered unless after eye surgery	Covered after accident or after eye surgery only	
Hearing Exams	One per year; 80%	Covered after accident only	
Hearing Aids	50% up to \$300 lifetime maximum	Covered after accident only	